GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4871
ANSWERED ON:16.12.2016
Payment of Dividends
M. Smt. Vasanthi

Will the Minister of FINANCE be pleased to state:

(a) whether the Securities and Exchange Board of India is aware of complaints received from shareholders about many companies refusing to pay dividends despite having extra cash and if so, the details thereof;

(b) whether the Government has taken note of the concerns from different quarters regarding misuse of participatory notes; and

(c) if so, the details thereof and the steps taken by the Government to check the misuse?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ARJUN RAM MEGHWAL)

(a): The Securities and Exchange Board of India (SEBI) has informed that it has hardly received any complaint regarding non-payment of dividends by companies. However, while declaration of dividend is not mandatory, a new Regulation 43A has been introduced in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 requiring the top 500 listed companies (by way of market capitalization) to formulate and disclose their dividend distribution policies in their annual reports and on their websites in order to help investors in taking well-informed investment decisions.

(b) and (c): Yes Madam. In order to ensure transparency and to neutralize any possibility of misuse of the investment route through Offshore Derivative Instruments (ODIs)/ Participatory Notes (PNs), SEBI has been constantly tightening norms for taking exposure in the Indian capital market through these instruments. Some of the recent steps taken by SEBI are as follows:

i. Under the SEBI (Foreign Portfolio Investors) Regulations, 2014, only category-I Foreign Portfolio Investors (FPIs), which are Government and Government-related investors and category-II FPIs (which are appropriately regulated) can issue and subscribe to ODIs.

ii. Vide SEBI's Circular dated 24th November, 2014, regulatory arbitrage has been eliminated by aligning the eligibility and investment norms between subscription through ODI route and FPI regime.

iii. The norms for issuance of ODI were further tightened vide SEBI's Circular dated 10th June, 2016.

iv. Regulation 22 (2) of the SEBI (FPI) Regulations, 2014 was amended to ensure that transfer of ODIs is done only to persons who are compliant with the provisions of Regulation 22 (1) and prior consent of the FPI is obtained for such transfer.

v. Vide SEBI's Circular dated 29th June, 2016, it has been mandated that ODI subscribers which have subscribed to ODIs under the Foreign Institutional Investors (FII) Regulations can continue to subscribe to ODIs under the FPI regime, subject to the condition that they comply with Regulation 22 of SEBI FPI Regulations, 2014 and meet the eligibility criteria prescribed in SEBI's Circular dated 24th November, 2014 along with other norms which may be notified by SEBI from time to time. Further, those ODI subscribers which do not meet the aforementioned norms, including unregulated funds whose investment manager is appropriately regulated, can continue to hold the position till the date of expiry of such positions or till 31st December, 2020, whichever is earlier. Such subscribers cannot take fresh positions or renew the old positions.

SEBI has further stated that consequent to the steps taken by it, there has been a constant decline in the outstanding value of Offshore ODIs.

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